G.R.S. IX—5]

Previous references. 1923-24. (G. F.) **File No.** 163-23

Dep 185 of 20-25 **Serial Nos.** 1 to 2

Later references.

Preserve
MR
5.11.63

GENERAL AND REVENUE SECRETARIAT.

P-19-E

Serial Nos. 2

Part B for February 1924.

SUBJECT

Draft rules in respect of payments to be made on account of foreign purchases to be made by the Railway Deptt.

2 3. To The Comptr
No FL 4585-F 20-2-1924.
Forwards the draft rules approved by Govt in respect of purchases made by the Ry Deptt: for strict enforcement by the Auditor.

23/2/24.

1632 — D. 279 S P C.

G. R. S. III-2.

General and Revenue Secretariat. | File No. 163 of 1923

Serial No.	
1	From Comptroller, No 211 of 2.XI.2 Forwards a Set of draft rules in respect of payments to be made on account of foreign purchases to be made by the Railway Deptt. Submitted with references to the file Containing Govt. No. 72290 of 14.7.23 may be obtained if wanted. 14/11 — 24/11/23
2	The file relating to the purchase of Engine from Messrs. Kerr Stuart & Co is not easily available.
3	A copy of the letter obtained from the Comptroller's office is put up. 28/1/24 — 4/2/24
4	
5	Forwarded to the Agent Mysore Rly with compts for favour of opinion on the draft rules 6-12 7/1
6	The Chief Engineer's draft [illegible]

T.

T.W.C. 113—23

REGISTER UNDER U.I.R. & O. 1907

OFFICE OF THE AGENT, RECEIVED 3 JAN 1924, MYSORE RAIL 779

NOTE—Contn. sheet.

1632

'G. R. S. III-2,

General and Revenue Secretariat. | GF File No. 163 of 1923

Serial No.

23543

7) I have no objection to the draft rules. As regards para. 13 of the rules, it has not been the custom to purchase direct. The procedure in force is given in G.O. 2956-60 dt. 18 March 1922

Cox
19/1/24

Financial Secretary

8) [illegible] 23/1/24

9) Forwarded to the Secy Store Purchase Committee for favour of statement as to which of the draft rules require changes in view of the system of purchase thro the Committee

[illegible]
23/1/24

G.O. 261
21/1/24

N.W.G.127-23

24/1/24.

OFFICE OF THE G[illegible] STORES PURCHASE COMMITTEE
24 JAN. 1924
BANGALORE

24/1/24

NOTE—Contn. sheet.

1632

D. 279 SPC

G. R. S. III-2.

General and Revenue Secretariat.

GJ File No. 163 of 1923

Serial No.	
1	From Comptroller, No 211 of 2. XI. 23 forwards a set of draft rules in respect of payments to be made on account of foreign purchases to be made by the Railway Deptt. Submitted with references ~~in the file~~ The file containing Govt. No. 76290 of 14.7.23 may be obtained if wanted. 28/11/23
2	The file relating to the purchase of Engines from Messrs. Kerr Stuart & Co is not easily available.
3	A copy of the letter obtained from the Comptroller's office is put up. 28/1/24 (Sd)
4	4/2
5	Forwarded to the Agent Mysore Rly with compts for favour of opinion on the draft rules
6	

~~The~~ Railway copies of the draft

Rules of the Railway Board

7-W-Co-113-23

REGISTER UNDER U.S. RAILWAYS

OFFICE OF THE AGENT. RECEIVED 3 JAN 1924 MYSORE RAIL 779

NOTE—Contn. sheet.

GI-163-23

D-279
S P C

STORES PURCHASE COMMITTEE.

Notes on referred case#.

Subject:- Draft rules in respect of payments to be made on account of foreign purchases to be made by the Railway Department.

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(10) The draft rules suggested by the Comptroller relate to the scrutiny of bills before authorising their payment and appear to be generally suitable.

(11) 2. The following provision is made as regards payment of bills in the draft rules defining the functions and procedure of the Stores Purchase Committee:-

"Invoices (showing the cost of the stores including packing and freight) and bills for the supply of stores shall be obtained in duplicate by the Secretary to the Committee and forwarded to the indenting officer for verification that the stores for which payment is claimed are satisfactory and correct as to qualities and have been received and taken to stock. One set of the invoice and the bill will be retained by the indenting officer and the other set with the certificate as above will be returned without delay to the Secretary who will forward them to the Comptroller for arranging payment. In cases where payment against shipping documents or by instalments is stipulated in a contract, the Secretary shall watch deliveries until the contract is

is fully and satisfactorily executed. Every care shall be taken that payment is arranged for only in accordance with the terms of a contract and that no delay occurs in payment involving the payment of interest on such delayed payments."

These draft rules have been considered by the Committee but have yet to receive the approval of the Government.

Bills for the supply of stores will be forwarded to the Comptroller as they are received, supported by the certificate of the indenting department as laid down in the above quoted rules. The rules now suggested by the Comptroller for the scrutiny of such bills before actually authorising payment appear to be suitable and adequate. The draft rules regulating the Committee's procedure also provide for copies of contracts executed by the suppliers being sent to the audit office and indenting departments for purposes of reference.

(2) 3. One point for consideration is whether, having regard to the procedure for the purchase of stores laid down in Govt. Order dated 22-10-1923, all foreign stores to be purchased by the Railway Department should in future be obtained only through the Stores Purchase Committee or whether the system of obtaining such stores through the Home Board of the M & S.M. Railway Co., may also continue. There is no order of Government definitely stating that the practice of

of obtaining stores through the M & S.M. Railway Co. Home Board should be discontinued after the constitution of the Stores Purchase Committee. Recently however one Home Indent (No.36) of the Railway Department for Loco and waggon parts of the total estimated cost of £ 5,740/- was sent to the Committee by the Railway Secretary ~~for execution~~ and the indent was sent to the Consulting Engineers in London for execution. If the previous practice had been followed, this indent would have been sent to the Home Board of M & S.M. Railway Co. On this point therefore the orders of the Government have to be sought.

Serial No.

16) In connection with the payments made by the Railway Audit Office for engines ordered of Messrs. Kerr Stuart & Co, without strict reference to the conditions of the contract, with the former the Comptroller was asked to send up a set of draft rules for regulating the work of the Railway Addit Office in respect of payments for purchases. With his letter dated 2nd November 1923 the Comotroller has sent a draft of the rules. I have consulted the Railway Secretary as well as the Secretary, Stores Purchase Committee regarding the suitability of the draft rules. The agree that they are suitable and both of them refer to the question of purchases through the Home Board of M.S.M.Railway. It is unlikely that there will be any purchase through the Home Board of this Company hereafter as our Consulting Engineers at Londo are also the advisers of the M.S.M.Ry.Company. In any case, it is unnecessary to make any allusion to purchases through the Home Board of the Company in the draft rules now under consideration as they are intended to lay down the procedure of examining bills for purchases and arranging for their payment The reference to the Home Board in the rules may, therefore, be omitted and the rules made general so as to apply for purchases through whatever agenc;

17) Rule 4 required amplification in one or two

G. R. S. III-21

General and Revenue Secretariat. 92 File No. 163 of 1923

Serial No.

two respects and I have therefore added to it.

18) Rule 11 ~~is~~ was not clear and I have therefore slightly revised it.

19) A draft is put up approving of the rules and requiring the Comptroller to issue them for strict observance by the Railway Auditor.

DEWAN'S OFFICE.
Recd. on 12-2-1924
Reg. No. 5787

12.2.24

20)

21) Approved. —

22) done 18.2.24

23) 18

3 To Comptroller, H 4985 of 20.2.24.
Forward the draft rules approved by Govt. in respect of purchases made by the Ry: dept. for strict enforcement by the Auditor.

B

DIARY No 1632

C. O. 46--R.

WD 0103—GPB—10,000—23—8-21

Please address all future communications to the Comptroller to the Govt. of H. H. the Maharaja of Mysore.
In reply to this Comn. please refer to
No. 211/Sr./Enc: 1.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Dated, Bangalore, the 2nd November 1923

FROM

T. SATYARAJ CHETTY Esq., B. A.,

Comptroller to the Government of

His Highness the Maharaja of Mysore.

To

Rajakaryaprasakta
T. . Krishna Rao, B. A.,
Financial Secretary to Govt.
Bangalore

SIR,

As desired in the last sentence in para. 3 of your letter No. 1.290 dated 14th July 1923, I have the honor to forward herewith a set of draft rules in respect of payments to be made on account of foreign purchases to be made by the Railway Department. The Auditor to whom these rules were sent in the first instance to see whether they are in conformity with the existing practice and to offer his opinion in the matter with any addition or modification he deems necessary states that the rules are allright and suggests amplification of para.4 by defining the particular items for which agreements or contracts are necessary. If Government consider such amplification necessary the same may be done in consultation with the Agent, Mysore Railways.

In the draft rules the procedure to be followed in regard to purchases made through the Home Board, M. & S.M. Railway has been included though in G.O. No.G51-120-G.I. 181-23-1, dated Camp Mysore 2nd October 1923, such purchases are not contemplated. As the

are no specific orders of Government discontinuing the existing practice, rules to cover all cases have been framed and submitted.

I have the honor to be

Sir,

Your most obedient servant,

J Lady Trey Clerk

Comptroller.

Rules to be observed in audit in respect of payments to be arranged for on account of foreign purchases made in accordance with item No.77 of the schedule of powers of the Agent, Mysore Railways, sanctioned in G.O. No. 424-26/Ry.F. O.L.21-22 dated 8-8-1921 and in pursuance of those prescribed in Appendix XIV to Mysore Account Code Volume I.

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1. Before arranging payment for the purchase of Foreign Stores it should be seen whether the rules prescribed in G.O. No.F.61-120-G.L.121-23-1 dated 22nd October, 1923, -- have been properly followed, and the purchase made through the Stores Purchase Committee constituted under that order.

2. No payment should be made by the Auditor for purchases relating to indents not certified by him against the grant of the year in which payment has to be made.

Note.- No indent should be certified by the Auditor unless there is for the work for which the stores are required to be purchased, a duly sanctioned estimate if it is chargeable to Capital or the work is of a special character, for which estimates are -- required to be prepared Vide G.O. No.Fl.244-7 C.F.12-13-1 dated 12-7-23.

3. Whether funds are available for expenditure under "Foreign Purchases" in the Stores Budget has to be invariably looked into. If not, it should be seen whether a - - reappropriation has been made from the "Local Purchases" to "Foreign Purchases".

4. No payment should be authorised by the Auditor unless and until it falls due in accordance with the terms of the contract entered into with the manufacturers or suppliers, a copy of which should invariably be furnished to the Audit Office or until the bills received from the Chief Store Keeper for stores supplied have been audited. All bills should contain the Certificate of the Chief Store Keeper stating that articles proposed to be paid for have been received, that they are according to specifications and that they have been taken on Vendt Stock

5. When bills for the purchase of Foreign Stores are received in audit a comparison should be effected between

the entries in each bill and the acknowledgment of receipt of stores recorded thereon by the Depot Store Keepers.

6. The purchases should be checked with the contracts, accepted tenders or individual sanctions.

7. The entries in the bills should be compared with the entries in the Daily Report of Receipts.

8. The rates quoted in the bills should be checked with those in the purchase order, contracts or accepted tenders as well as with those on the invoices.

9. The arithmetical accuracy of each bill should be checked throughout, errors being corrected.

10. The bill should then be verified with the corresponding credit in the purchase register in the account of the - - suppliers, the debit representing the amount audited and paid being posted against the credit and attested with the initials of the purchase register clerk in token of the agreement of the bill with the credit entries originally posted therein.

11. Any discrepancies discovered during the process of audit should be at once investigated and (if possible) - - rectified. (If not, or, in the case of any reference arising out of the bill, the irregularity should at once be pointed out to the Chief Store Keeper or the Departmental Officer concerned, and no payment should be arranged for (in the case of orders placed direct by ~~the Railway~~ with the manufacturers or suppliers, and in the case of orders placed through the Home Board, L. & S.W. Railway the amount paid should be placed under objection the debit under "Purchases" ~~not~~ being cleared by credit to "advance authorised for Foreign Stores")

12. After each bill has been audited, an endorsement should be made on the purchase order to the effect that stores - -

supplied under that order have been passed for payment under bill no. dated a remark to this effect being also made against the particular entry or entries in the Daily Report of Receipts.

13. Purchases being generally made either direct from the manufacturers or suppliers or through the Home Board L. & S.W. Railway, the procedure to be adopted in each of these cases is given below :-

Procedure & Accounts when Direct purchases wherein articles are received either prior to or along with the bill.

(i) When stores are actually received at the Stores Depot and accounted for in the Daily Report of Receipts the head "Stores" should be debited by credit to "Purchases".

(ii) When bills are received in audit and after the rules prescribed in the above paragraphs are observed the Auditor should authorise the Comptroller to arrange for the payment of the amount due to the firm through Messrs Coutts & Co. debiting the head "Purchases" and crediting the head "London account".

(iii) On the transmission by the Comptroller of advices from Messrs Coutts & Co through the exchange accounts of payments made to the particular firm the head "London account" should be debited and the head "C.D.IV" credited.

Procedure & Accounts when Purchases made direct wherein the cost of articles ordered for is payable in advance in full or in instalments prior to the receipt of articles (or of those made through the Home Board W. & S.W. Railway.)

(i) Whenever it becomes necessary to make payment of an amount in advance in accordance with the terms of the contract, the Comptroller should be authorised to arrange for the payment of the amount to the firm through Messrs Coutts & Co. and the amount so authorised to be paid should

be debited to a suspense head " Advance authorised for foreign stores" by credit to "London Account".

(ii) On the transmission by the Comptroller of advices from Messrs Coutts & Co. through the exchange accounts of payments to the particular firm or firms the head "London Account should be debited and the head "C.D.IV" credited.

(iii) When the foreign stores are actually received at the Stores Depot and accounted for in the Daily Report of Receipt the head "Stores" should be debited by credit to "Purchases".

(iv) When regular bills from the manufacturers or suppliers are received in audit through the Chief Store Keeper the rules prescribed in paras. 1 to 12 supra should be observed, and the head "Purchases should be debited, Credit being afforded to the head "Advance authorised for Foreign Stores".

14. The Auditor should submit to the Comptroller monthly statements in Form No.82 showing the grant, outlay and balance on account of stores indented for from England.

~~Financial Secretary.~~

Comptroller

Draft

Comptroller.

Letter No. Fl.290 dated 14th July 1923 from the Financial Secretary to Government to the Comptroller in Mysore, Bangalore.

With reference to the payments made in England on the requisition of the Railway Auditor in connection with the purchase of nine locomotives from Messrs Kerr Stuart & Co. under an order placed with the Firm on the 15th August 1921, I am directed to state that the attention of Government has been drawn to certain irregularities in the office of the Railway Auditor. It is observed that the Auditor failed to scrutinise the claims for payments on account of the price of these engines, as a consequence of which payments were made to the firm, not in accordance with the contract and on dates on which they fell due but in advance of due dates or in excess of what the firm was entitled to on the particular dates of payment.

2. The late Auditor Mr. T.Lakshminarasimha Rao has submitted an explanation which is very meagre and vague. He contended that as against certain payments made before the due dates certain payments were made after they fell due and he claimed that by setting off the latter against the former the net loss incurred amounted only to an advance payment of £7,740 half a day earlier than the due date. The Government observe that this is a very extraordinary explanation. The question is not whether in the result and taking all the payments made before or after they became due, the firm has received more or less but whether the payments made ~~and~~ had fallen due in accordance with the contract. It was the duty of the Auditor to satisfy himself that the payments that he authorised were in conformity with the conditions of the contract. The whole transaction discloses that payments were made of thousands of pounds without reference to the agreement, and wihtout proper scrutiny by the Auditor.

3. As the officer responsible for these irregular payments (Mr. T.Lakshminarasimha Rao) is since deceased, there is no need to pursue the matter. But Government desire that strict instructions may issue to the Railway Audit Department in order to ensure that such lack of vigilance and scrutiny is carefully avoided in future. A set of draft rules for approval should be submitted to Government at an early date.

Copy

Draft. No JE 45585 11/10
-47-163-233
& 20 Febry/24

To

The Comptroller to the Government
of Mysore, Bangalore.

Sir,

Adverting to your letter No.211 dated 2nd November 1923 forwarding a set of draft rules in respect of payments to be made on account of purchases by the Railway Department, I am directed to append a copy of the rules as approved by Government and to request you to be so good as to communicate the same to the Railway Auditor for strict enforcement.

I have etc.,

Financial Secretary to Govt.

Rules to be observed in audit in respect of payments to be arranged for on account of foreign purchases made in accordance with item No.77 of the schedule of powers of the Agent, Mysore Railways, sanctioned in G.O.No.424-26/Ry.F.O.L.21-22 dated 8th August 1921 and in pursuance of those prescribed in Appendix XIV to Mysore Account Code Vol.I.

----:O:----

1. Before arranging payment for the purchase of Foreign Stores it should be seen whether the rules prescribed in G.O.No.G.61-120/G.M.121-23-1 dated 22nd October 1923 have been properly followed and the purchase made through the Stores Purchase Committee constituted under that order.

2. No payment should be made by the Auditor for purchases relating to indents not certified by him against the grant of the year in which payment has to be made.

Note.- No indent should be certified by the Auditor unless there is for the work, for which the stores are required to be purchased, a duly sanctioned Estimate if it is chargeable to Capital, or the work is of a special character, for which estimates are required to be prepared Vide G.O.No.Fl.244-7/G.F.12-23-1 dated 12th July 1923.

3. Whether funds are available for expenditure under "Foreign Purchases" in the Stores Budget has to be invariably looked into. If not, it should be seen whether a reappropriation has been made from the "Local Purchases" to "Foreign Purchases."

4. No payment should be authorised by the Auditor unless and until it falls due in accordance with the terms of the contract entered into with the manufacturers or suppliers, a copy of which should invariably be furnished to the Audit Office, or until the bills received from the Chief Store Keeper for

for stores supplied have been audited. All bills should contain certificates of the Chief Store Keeper stating that articles proposed to be paid for have been received, that they are according to specifications and that they have been taken to stock.

5. When bills for the purchase of Foreign Stores are received in audit, a comparison should be effected between the entries in each bill and the acknowledgment of receipt of stores recorded thereon by the Depot Store Keepers.

6. The purchase should be checked with the contracts, accepted tenders or individual sanctions.

7. The entries in the bills should be compared with the entries in the Daily Report of Receipts.

8. The rates quoted in the bills should be checked with those in the purchase order, contracts or accepted tenders as well as with those on the invoices.

9. The arithmetical accuracy of each bill should be checked throughout, errors being corrected.

10. The bill should then be verified with the corresponding credit in the purchase register in the account of the suppliers, the debit ✓ representing the amount audited and paid being posted against the credit and attested with the initials of the purchase register clerk in token of the agreement of the bill with the credit entries originally posted therein.

11. Any discrepancies discovered during the process of audit should be at once investigated

investigated and got rectified, by reference to the Chief Store Keeper or the Departmental Officer concerned and no payment should be arranged for until all points of doubts are cleared up.

12. After each bill has been audited, an enfacement should be made on the purchase order to the effect that stores supplied under that order have been passed for payment under bill No. dated a remark to this effect being also made against the particular entry or entries in the Daily Report of Receipts.

Procedure of accounting when articles are received either prior to or along with the bill.

----:O:----

(i) When stores are actually received at the Stores Depot and accounted for in the Daily Report of Receipts, the head "Stores" should be debited by credit to "Purchases."

(ii) When bills are received in audit and after the rules prescribed in the above paragraphs are observed, the Auditor should authorise the Comptroller to arrange for the payment of the amount due to the firm through Messrs Coutts & Co. debiting the head "Purchases" and crediting the head "London account."

(iii) On the transmission by the Comptroller of advices from Messrs Coutts & Co through the exchange accounts of payments made to the particular firm, the head "London account" should be debited and the head "C.D.IV" credited.

Procedure of accounting when the cost of articles ordered for is payable in advance in full or in instalments prior to the receipt of articles.

----:O:----

(i) Whenever it becomes necessary to make payment of an amount in advance in accordance with the terms of the contract, the Comptroller should be authorised to arrange for the payment of the amount to the Firm through Messrs Coutts & Co, and the amount so authorised to be paid should be debited to a suspense head "Advance authorised for foreign stores" by credit to "London account."

(ii) On the transmission by the Comptroller of advices from Messrs Coutts & Co. through the exchange accounts of payments to the particular firm or firms the head "London account" should be debited and the head "C.D.IV" credited.

(iii) When the foreign stores are actually received at the Stores Depot and accounted for in the Daily Report of Receipts, the head "Stores" should be debited by credit to "Purchases."

(iv) When regular bills from the manufacturers or suppliers are received in audit through the Chief Store Keeper, the rules prescribed in paras 1 to 12 supra should be observed, and the head "Purchases" should be debited, credit being afforded to the head "Advance authorised for Foreign Stores."

14. The Auditor should submit to the Comptroller monthly statements in Form No.S.2 showing the grant, outlay and balance on account of stores indented for from England.